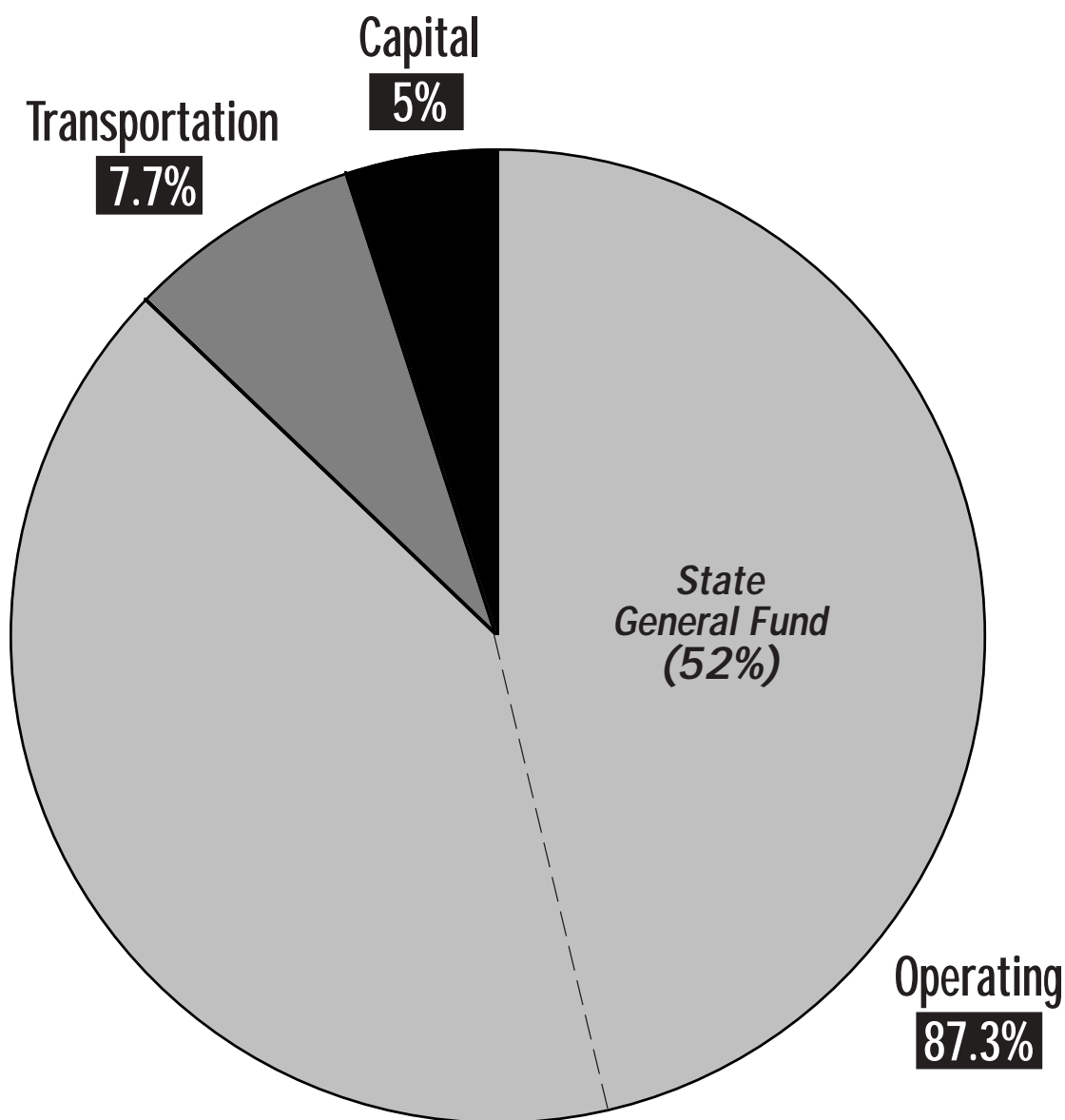
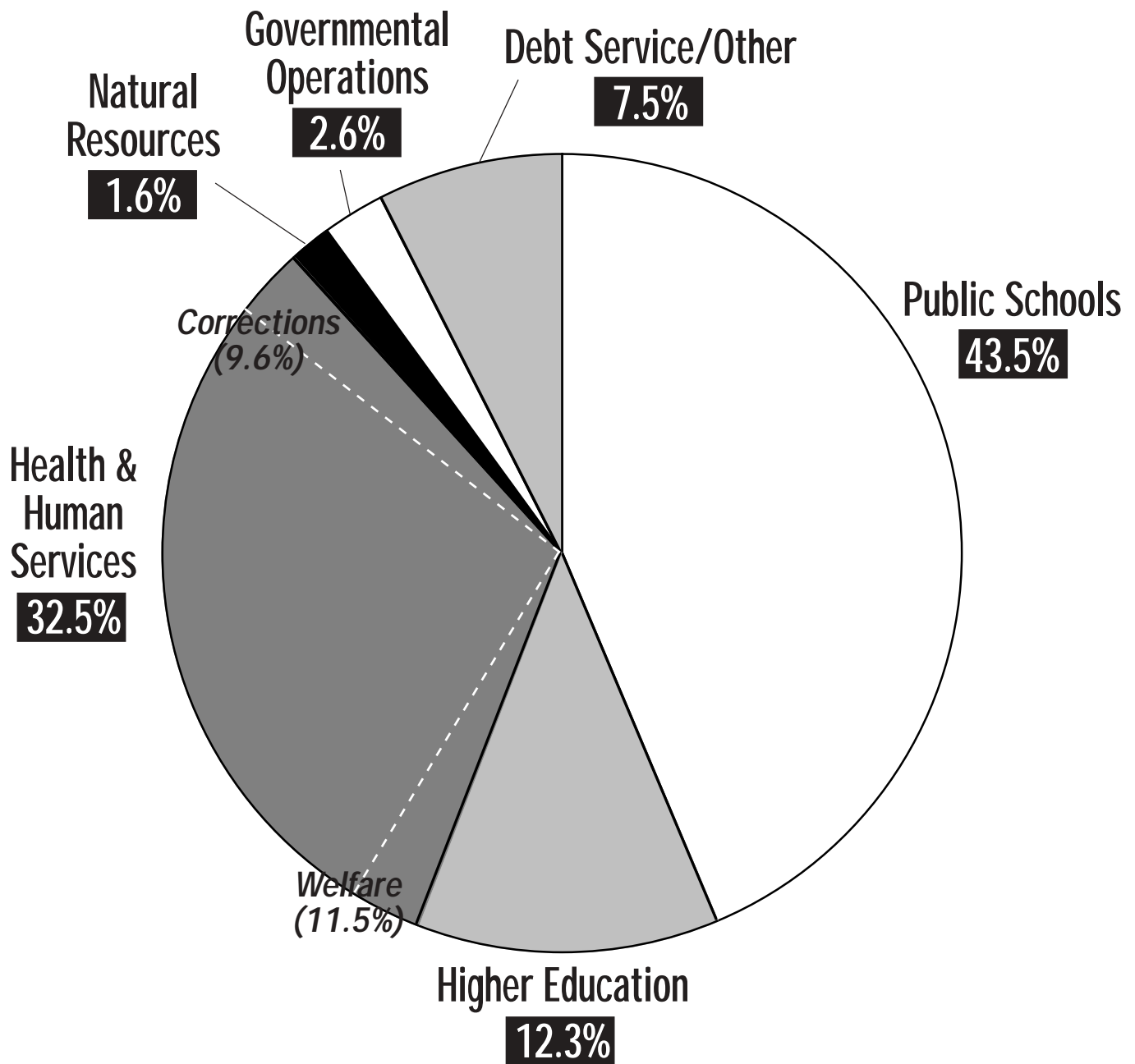


Washington State Budgets: 2001-2003 Biennium



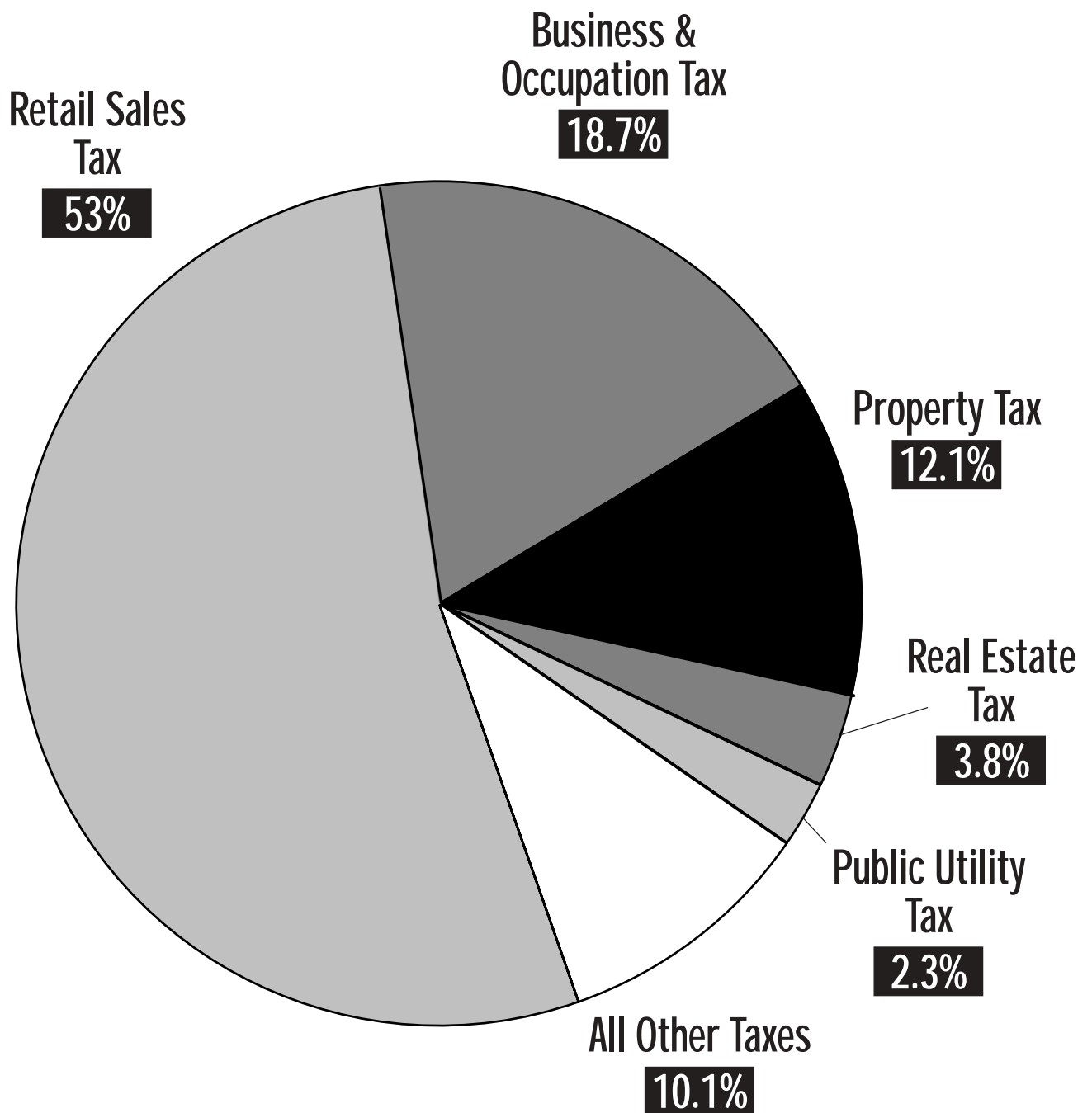
Total Spending: \$49.7 billion

State General Fund: Distribution of Spending

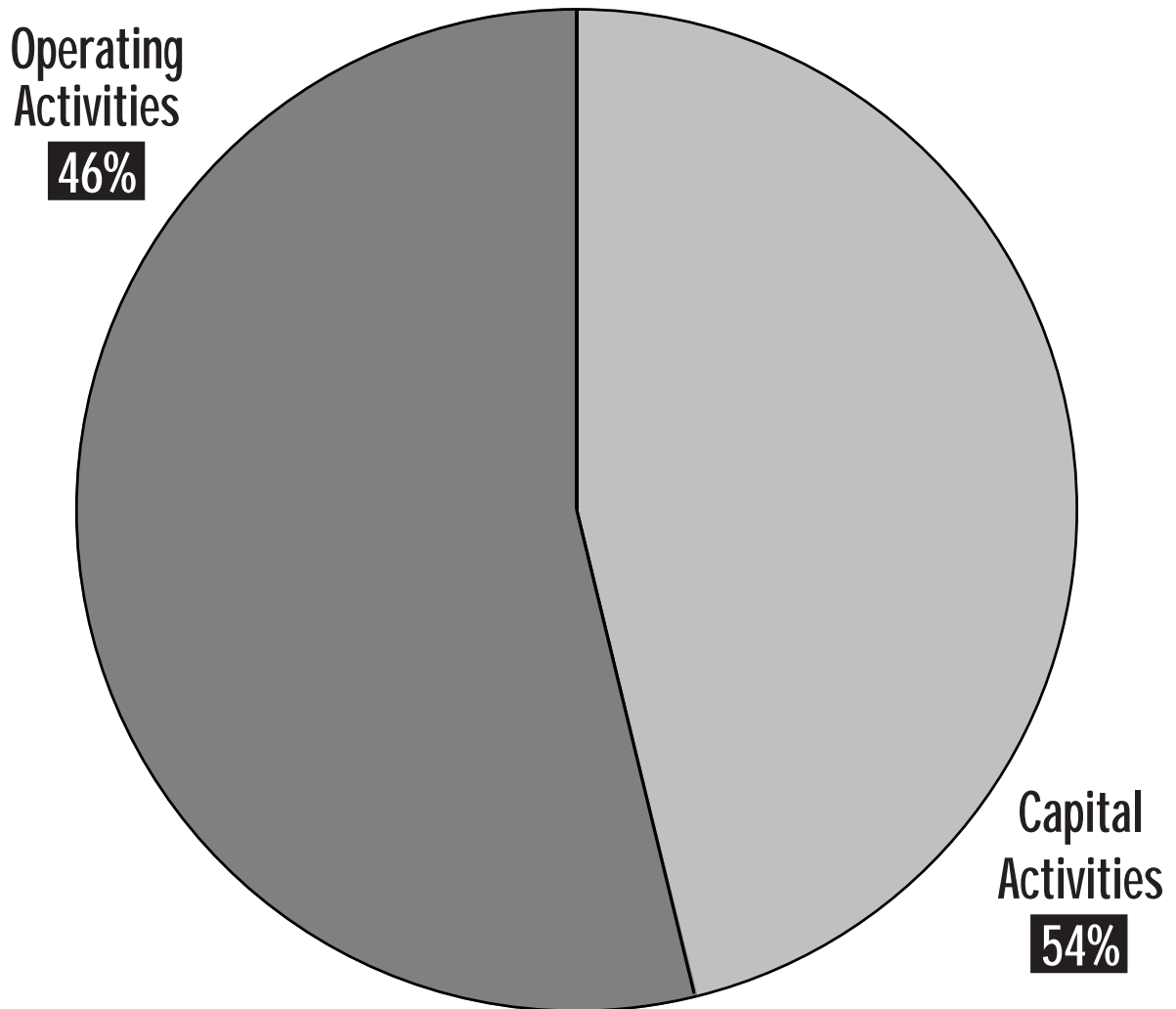


2001-03 General Fund Spending: \$22.8 billion

State General Fund: Sources of Revenue

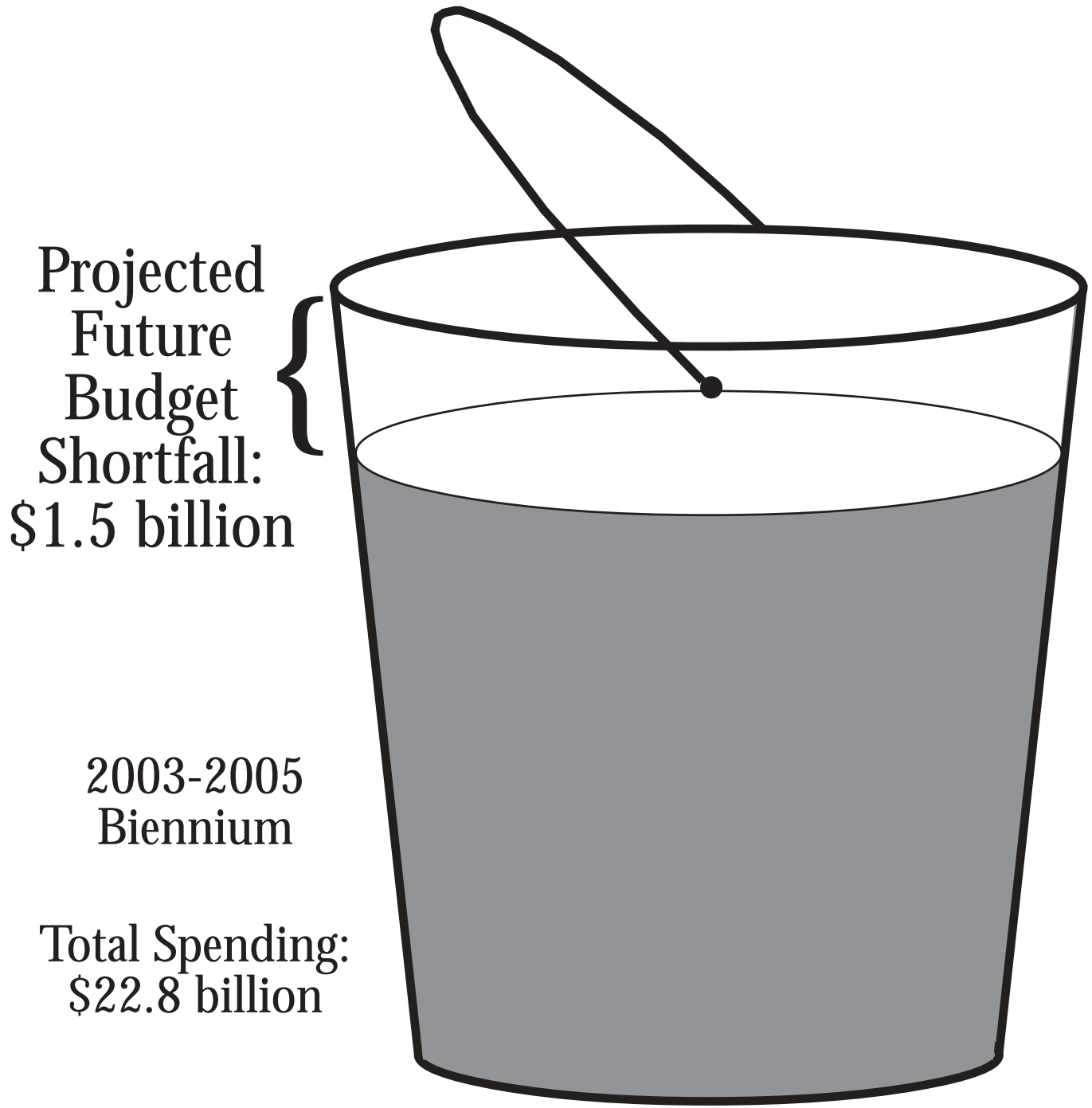


Washington State Transportation Budget



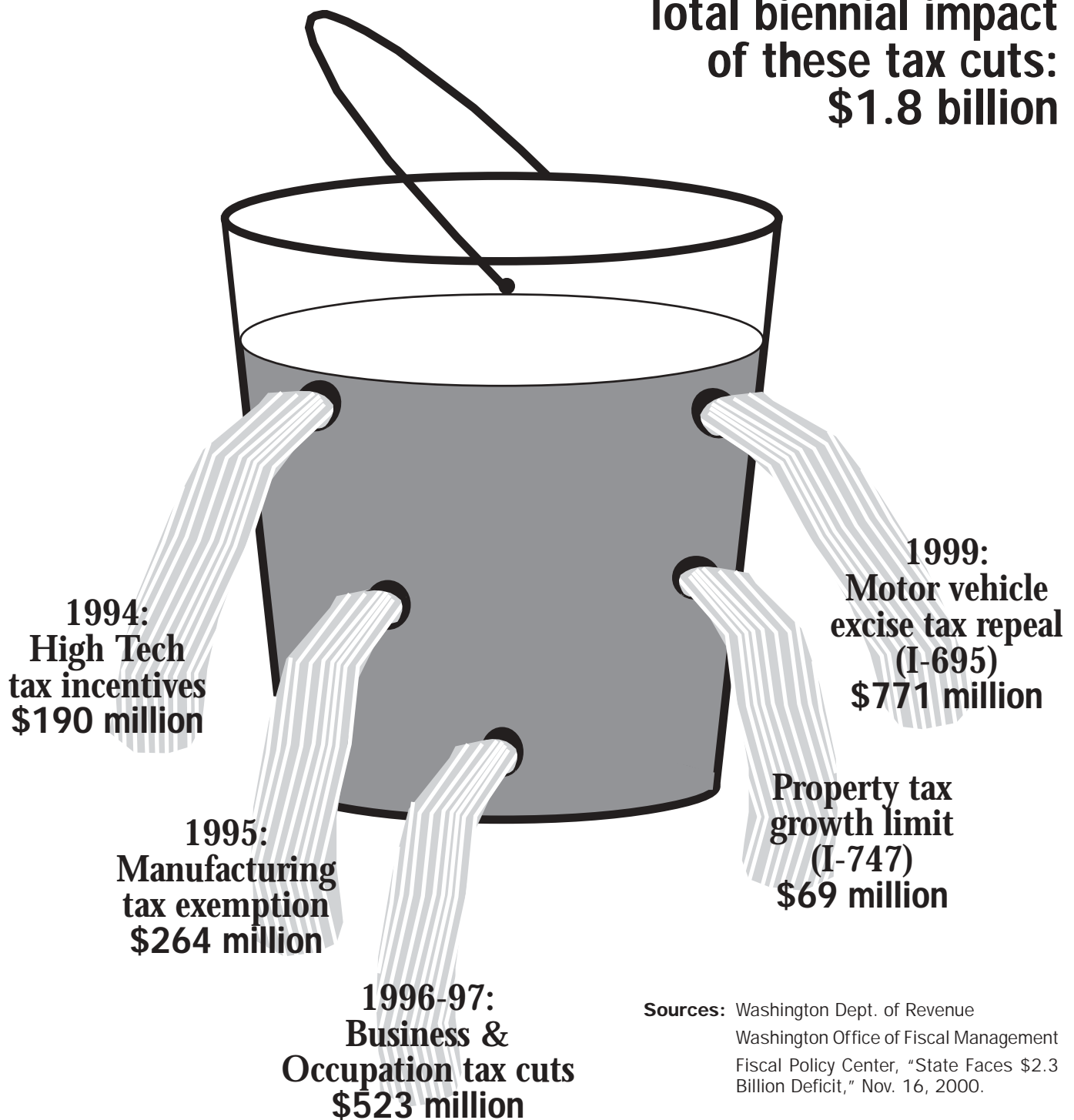
2001-03 Transportation Spending: \$3.8 billion

The State General Fund Could be \$1.5 Billion Short



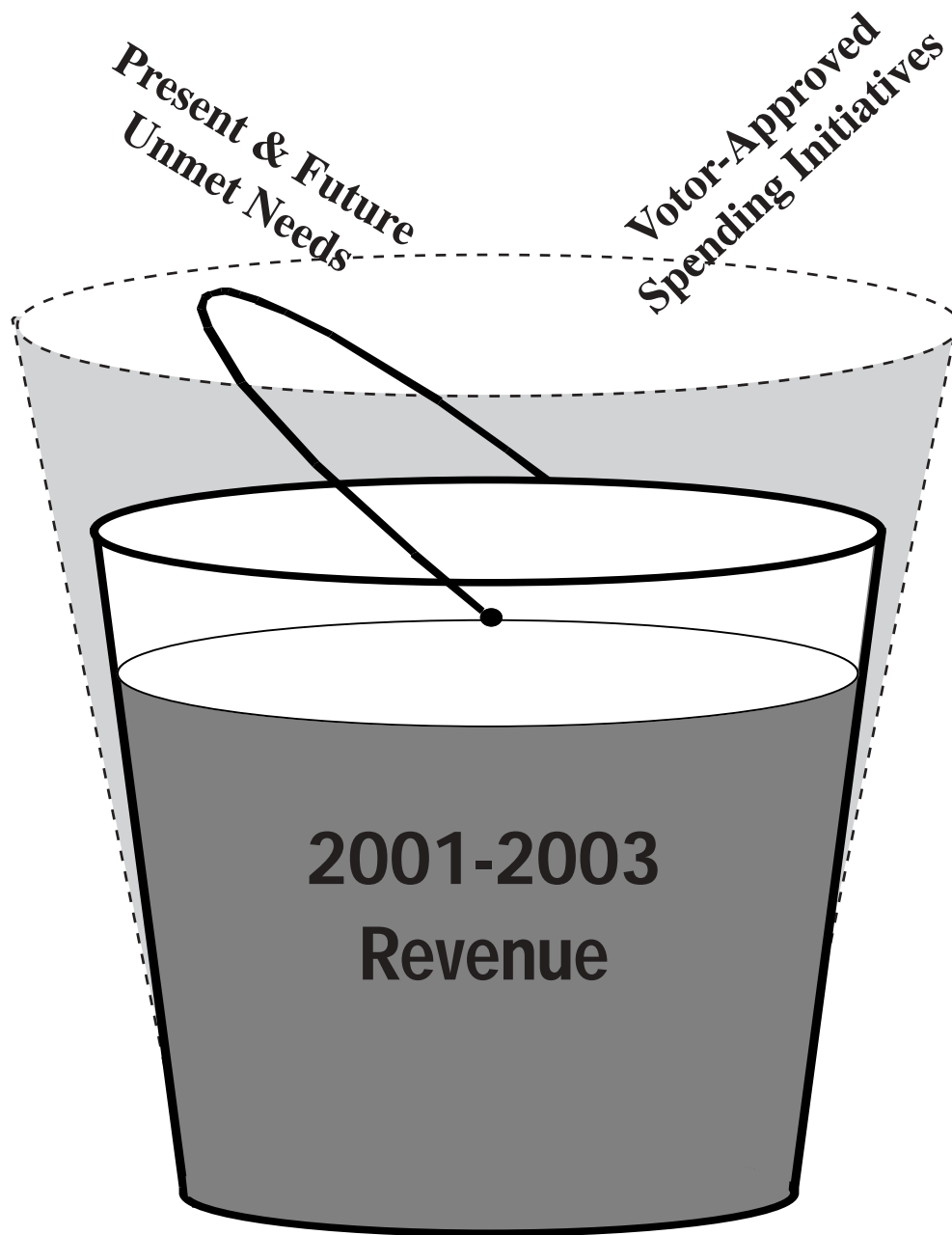
Some Big Holes in the Revenue Buckets

**Total biennial impact
of these tax cuts:
\$1.8 billion**



Sources: Washington Dept. of Revenue
Washington Office of Fiscal Management
Fiscal Policy Center, "State Faces \$2.3
Billion Deficit," Nov. 16, 2000.

Growing Demands on Washington's Budgets



Ideal Size of the Revenue Bucket?

Who Gets Hurt from Budget Cuts?

The Most Vulnerable



Aid to Elderly & Disabled



Youth Programs



Health Care



Mental Health Services



Child Care



Human Services

Who Gets Hurt from Budget Cuts?

Everyone



Libraries



Higher Education



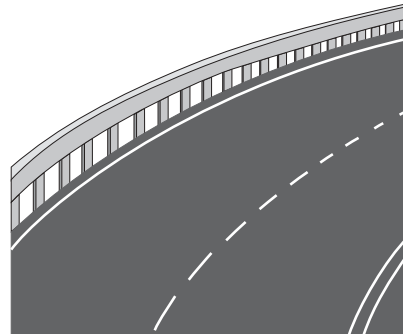
State Police



Parks



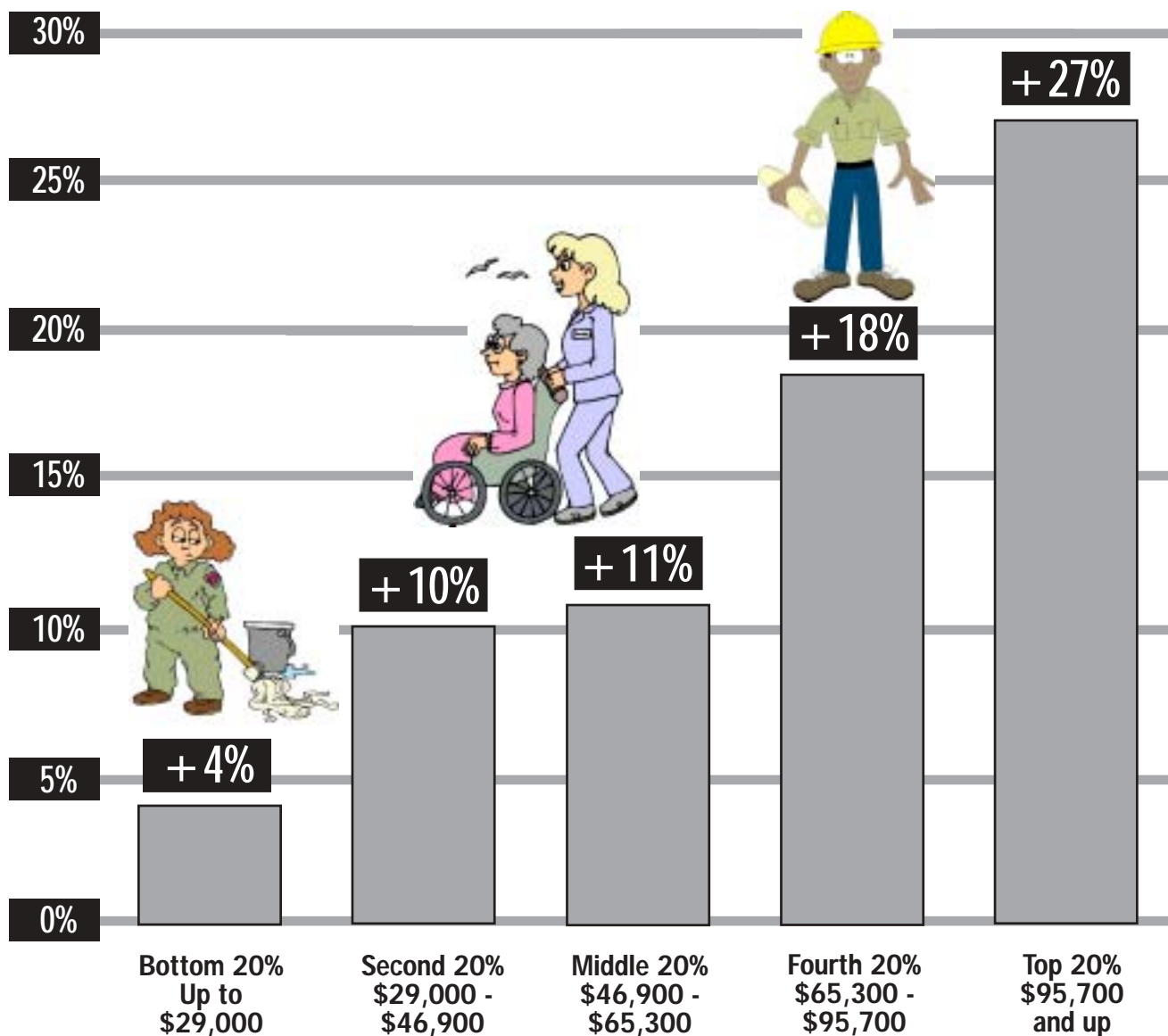
County / Local Services



Roads

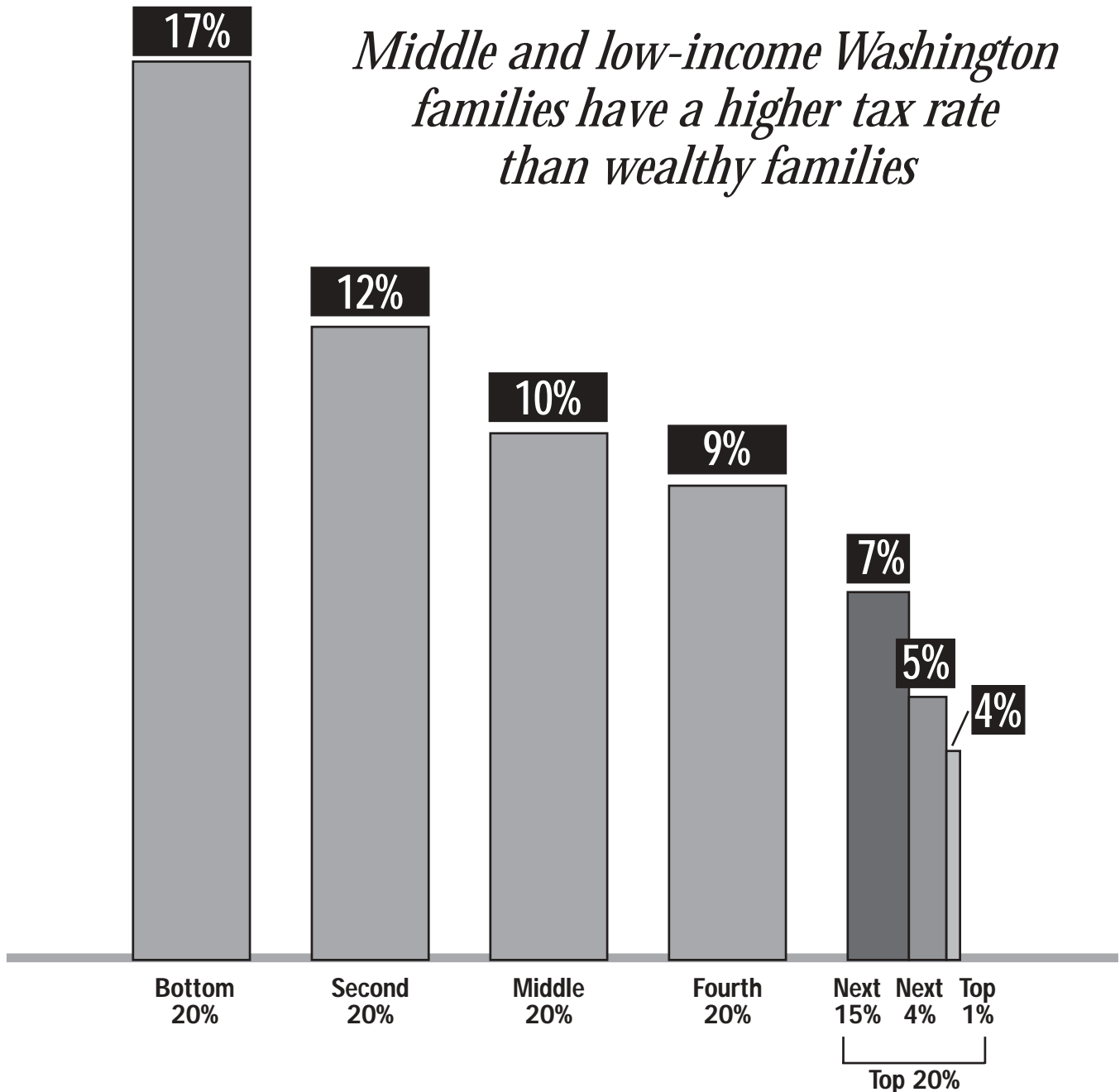
Change in Income in Washington Late 1980s (1988-1990) to Late 1990s (1998-2000)

*Middle and low-income Washington families
did not share equally in the economic boom*



Source: Center on Budget and Policy Priorities and Economic Policy Institute, *Pulling Apart, A State-By-State Analysis of Income Trends*, Apr. 23, 2002. Researchers used three-year averages to enlarge the sample size, resulting in more valid data.

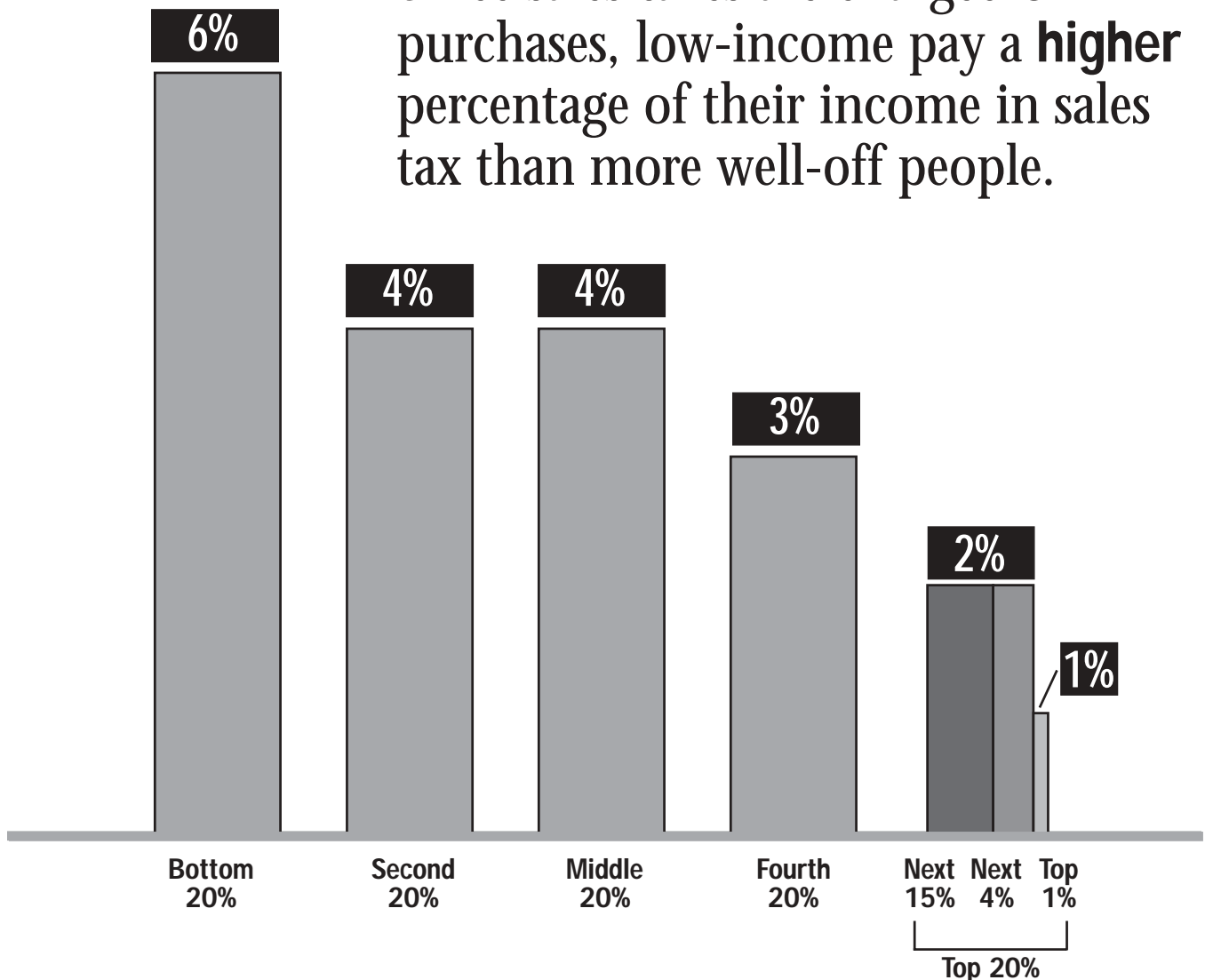
Percent of Income Paid in All Washington State and Local Taxes



Source: Citizens for Tax Justice, "Who Pays? A Distributional Analysis of the Tax Systems of All 50 States," 1996.

Percent of Income Paid in Washington Sales Tax

- Less well-off people spend most or all of their income paying for life's necessities.
- Since sales taxes are charged on purchases, low-income pay a **higher** percentage of their income in sales tax than more well-off people.

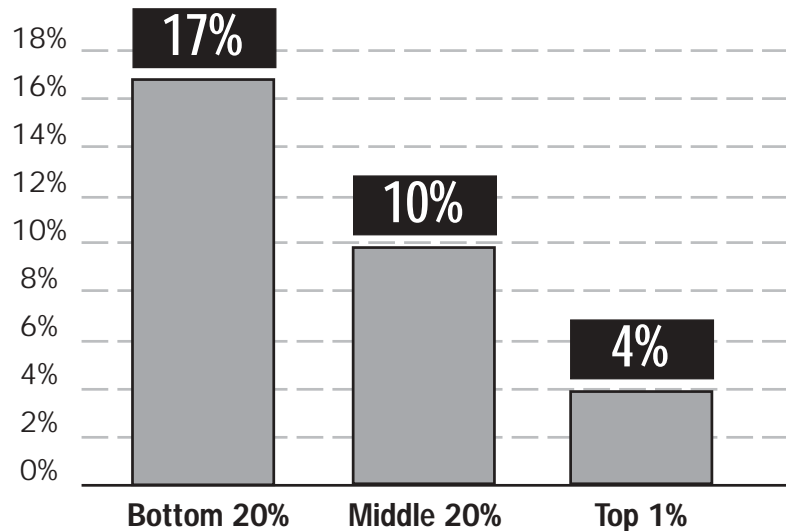


Source: Citizens for Tax Justice, "Who Pays? A Distributional Analysis of the Tax Systems of All 50 States," 1996.

Types of Tax Systems

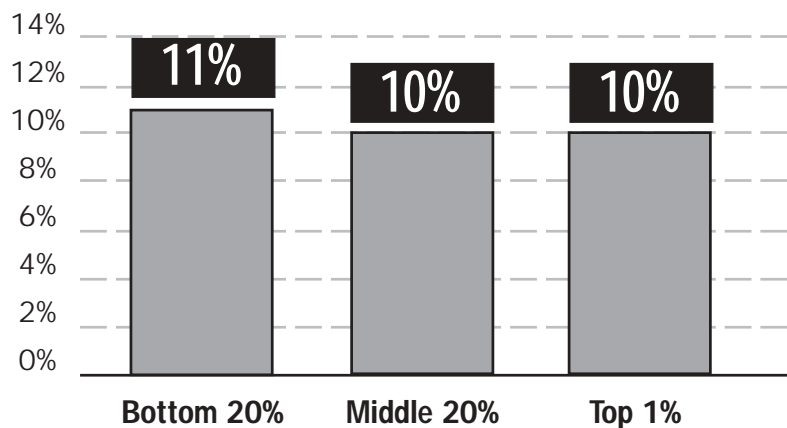
Regressive: Washington

When less well-off people pay a higher percentage of their income in tax than more well-off people do, it's called a "regressive" tax system.



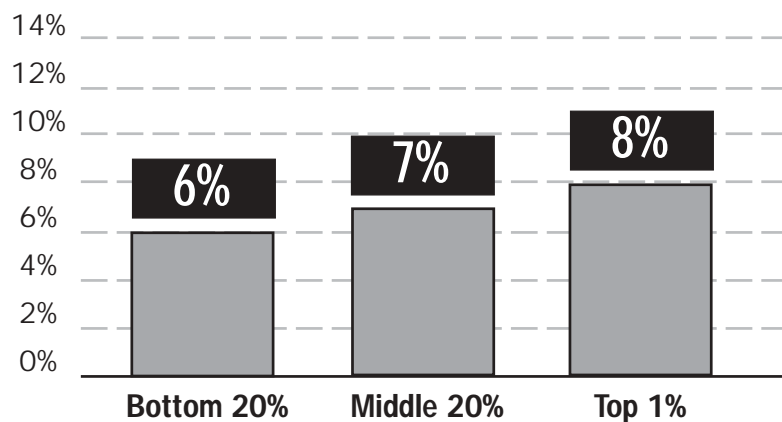
Flat: Oregon

When all people pay roughly the same percentage of tax on their income, it's called a "flat" tax system.



Progressive: Delaware

When better-off people pay a higher percentage of their income in tax than less well-off people do, it's called a "progressive" tax system.



What's Fair?

How should the “burden” be distributed?



Reviewing the Key Points

- ★ **Huge budget shortfall projected.**
- ★ In the 1990s, **tax cuts** put huge holes in Washington's budget bucket.
- ★ **Spending initiatives** and **unmet needs** create more pressure on the budget.
- ★ Washington relies heavily on **regressive sales and property taxes**.
- ★ **Low and middle-income people pay a higher percent of their income** in state and local taxes than do wealthy people.

Questions to Ask About Washington Tax Reform Proposals

★ **Is it fair?**

Is the tax burden based on people's ability to pay?

★ **Is it enough?**

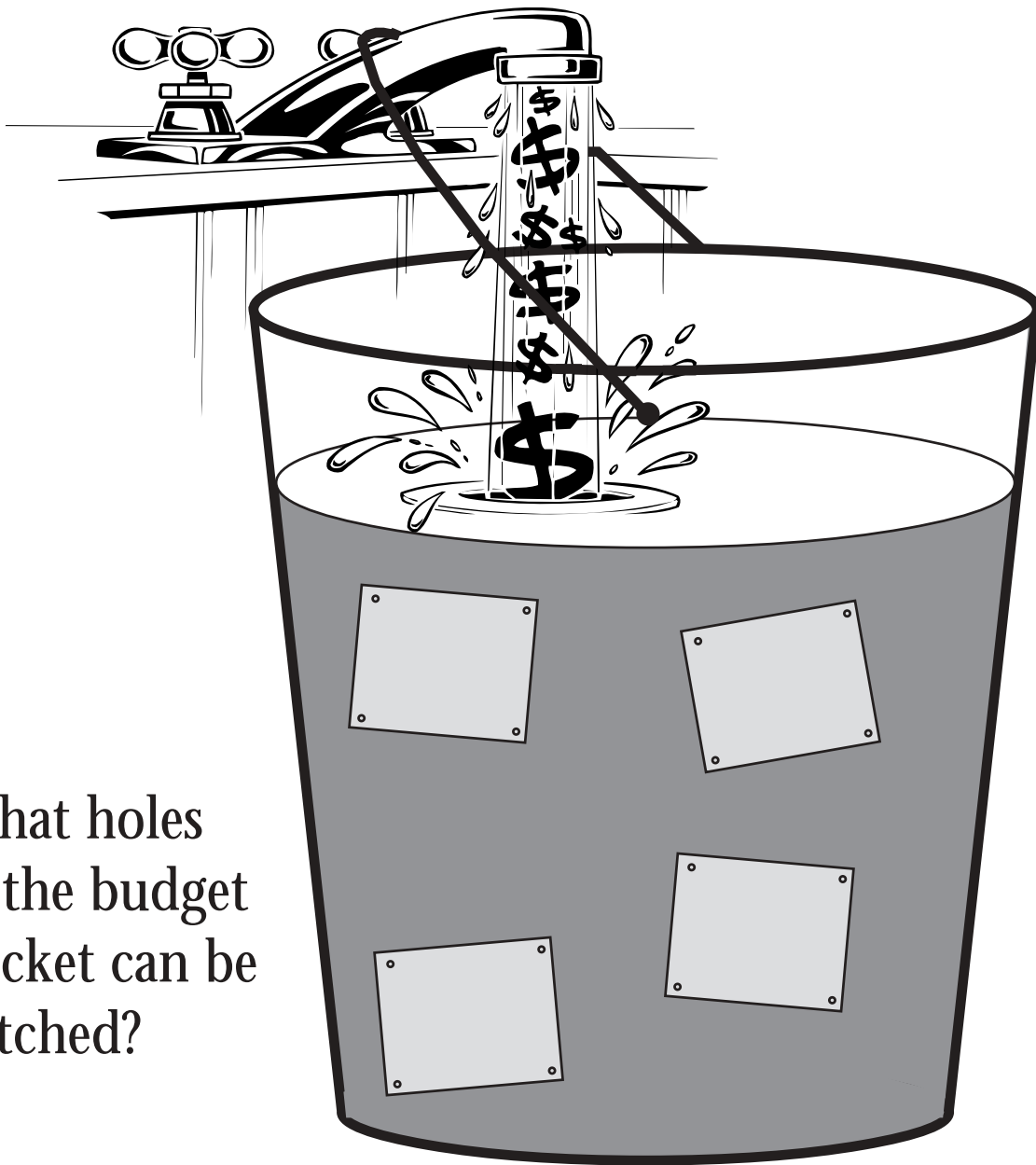
Does the proposal generate enough revenue to meet the needs of the people of Washington?

What Would Be the Impact of Various Tax Reform Proposals?

- ★ **Raise Tobacco Tax 25¢**
- ★ **Establish 1% State Personal Income Tax**
- ★ **Establish 1% Intangible Wealth Tax**
- ★ **Increase the state estate tax as the federal estate tax declines**
- ★ **Apply a sales tax to selected services (e.g.: cable TV, business and financial services, etc.)**
- ★ **Sunset some business tax exemptions**

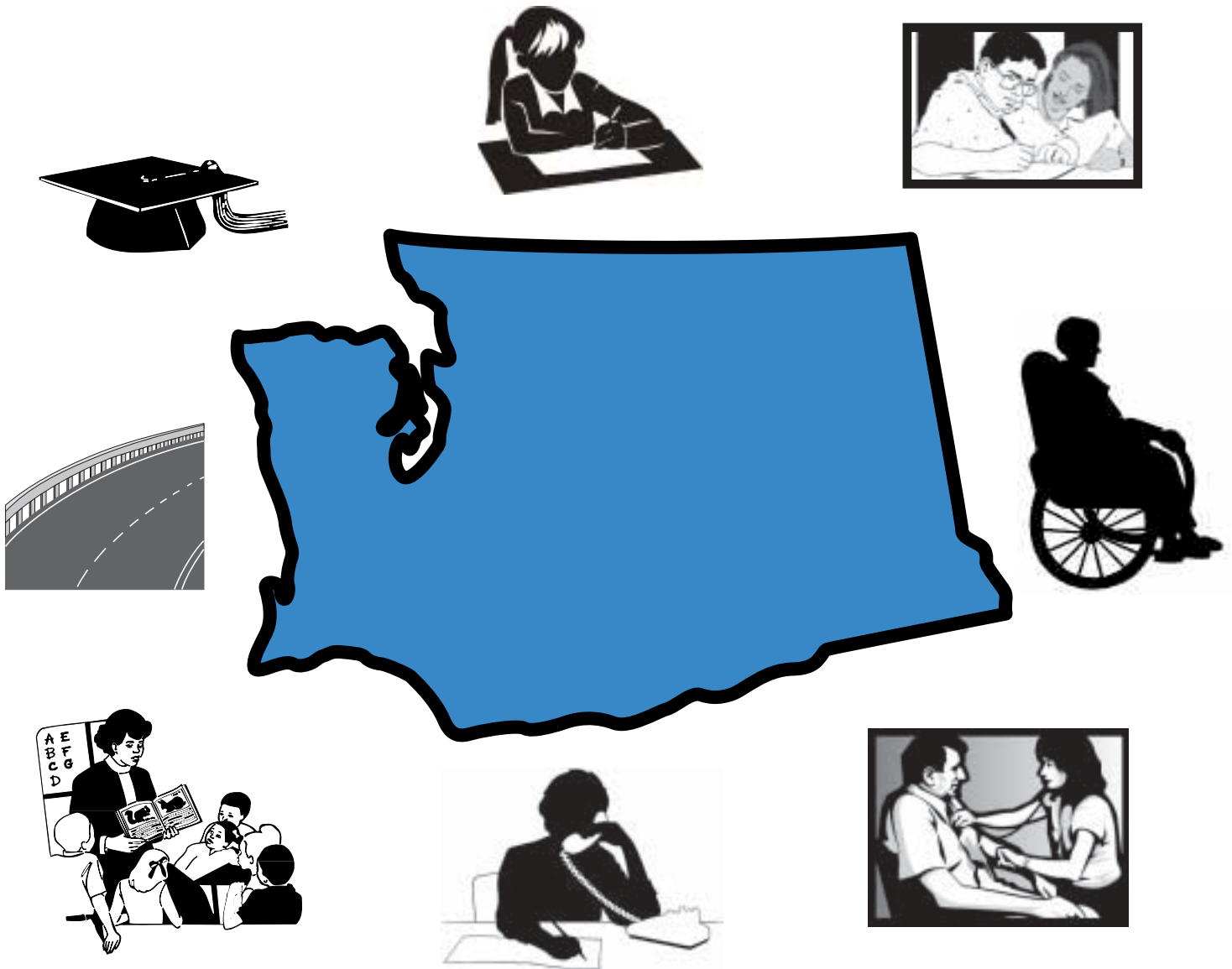
How Can Washington Close the Revenue Gap?

What new sources of revenue can be added?



What holes in the budget bucket can be patched?

The Washington Budget Crisis and You



Washington Association of Churches

419 Occidental Ave. S., Suite 201
Seattle, WA 98104